

The Grand Union Company

Report to Stockholders

Fiscal Year Ended

February 26, 1944

OFFICERS

J. SPENCER WEED	-	-	-	-	-	-	-	- President
LANSING P. SHIELD	-	-	-	-	-	-	-	Vice-President
LOUIS C. WADMOND	-	-	-	-	-	-	-	Vice-President
THOMAS C. BUTLER	-	-	-	-	-	-	-	Treasurer
HENRY N. BURKE	-	-	-	-	-	-	-	Secretary

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DIRECTORS

PEMBERTON BERMAN

CAXTON BROWN

HENRY A. COLGATE

GEORGE C. MAY

RAY MORRIS

LANSING P. SHIELD

J. SPENCER WEED

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Proxies for the annual meeting of stockholders to be held May 24th, 1944 will be requested later and the mailing to stockholders of the notice of meeting, proxy statement and proxy will be commenced on or about May 1st, 1944.

This annual report is not sent to you in connection with the solicitation of proxies for the annual meeting and is not to be deemed to be incorporated in the proxy soliciting material by reference.

April 26, 1944

TO THE STOCKHOLDERS:

Submitted herewith are the consolidated balance sheet of the Company as of February 26, 1944, and summaries of the consolidated net income and earned surplus for the fifty-two weeks then ended, as audited by Messrs. Lybrand, Ross Bros. & Montgomery, Certified Public Accountants.

After depreciation, provision for federal income taxes of \$335,000. and a reserve of \$100,000. described later in this report, the Company's net income amounted to \$414,549., equivalent to \$1.86 per share on 222,738 shares of Capital Stock outstanding. The net income for the preceding year was \$385,187., or \$1.73 per share. Total sales amounted to \$43,897,632. this year compared with \$43,965,652. for the 1942 fiscal year.

A dividend of 50¢ a share on the Capital Stock was paid on November 30, 1943, and a dividend of 25¢ a share has been declared payable June 9th, 1944, to stockholders of record May 19th, 1944.

In view of the uncertainties inherent in war and postwar conditions, the management has considered it prudent to set aside \$100,000. from the 1943 earnings as a reserve for such contingencies as may arise in connection with changing inventory valuations, and more rapid than normal obsolescence of fixtures and equipment as a result of technological developments. As we are not purveyors to the government, we do not anticipate any renegotiation problems.

With rationing and price controls regulating legitimate distribution more effectively, the necessity of carrying extra large inventories is lessened and, accordingly, we have established our budgetary controls so as to effect a reduction in merchandise inventories during the coming year.

Departmental regulations continue perplexing and at times are difficult to follow. At the same time we recognize the enormousness and complexity of the government problem and are glad to cooperate to the limit of our abilities. Price squeezes have hurt at times and, to the extent these continue or increase, profit margins will be adversely affected.

In the chain store division sales were 1.11 per cent ahead of last year and profits were up. At the end of the year there were 347 stores in operation with 167 meat departments, compared with 358 and 163 respectively a year ago. Lower dry grocery sales, as a result of rationing, have been in large measure offset by a substantial increase in the volume of fresh fruits and vegetables.

In the wagon route division profits likewise were ahead although sales for the year were down 6.68 per cent. In spite of manpower problems, governmental regulations and shortage of supplies and gasoline, the wagon route division has shown an improvement in sales since the first of the present fiscal year of about 7 per cent over the same period a year ago.

Manpower shortage continues to be one of our most pressing problems as we are still losing experienced men to the Services and finding it difficult to replace them. There are now 1,143 members of our organization in the Armed Forces. As of April 1st we were employing 965 women and girls in positions formerly held by men.

Again we welcome this opportunity to express to our entire organization the sincere appreciation of the management for their hard work and loyal cooperation in these trying times.

J. SPENCER WEED,
President.

THE GRAND UNION
AND ITS S

CONSOLIDATED

February

A S S E T S

Current assets:

Demand deposits in banks and cash on hand - - - - -		\$1,319,223.86
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United States Treasury Bonds, at cost (at market quotations, \$141,600) - - - - -		141,000.00
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Accounts receivable:

Trade - - - - -	\$ 393,118.74	
Miscellaneous - - - - -	123,237.00	
	516,355.74	
Less, Allowance for losses - - - - -	137,850.05	378,505.69

Inventories at the lower of cost or market:

Merchandise - - - - -	4,989,961.66	
Premiums - - - - -	262,746.01	5,252,707.67

Costs of inventories at warehouses are determined on the basis of "first in—first out." The "retail method" of accounting is used with respect to inventories at retail outlets.

Total current assets - - - - -		7,091,437.22
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Real estate at costs or written-down amounts, including \$54,275 at amounts

appraised by Scott Realty Appraisal Co. as of 1933 - - - - -	93,341.02	
Less, Allowance for depreciation of improvements - - - - -	13,073.99	
	80,267.03	
Mortgages and miscellaneous investments, at costs - - - - -	132,722.83	
	212,989.86	

Less, Allowance for losses on real estate, mortgages and investments - - - - -	33,409.22	179,580.64
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Machinery, fixtures and equipment at costs, except as to \$648,249.70 at amounts at which revalued as at December 31, 1932 by the Board of

Directors - - - - -	2,982,819.06	
Less, Allowance for depreciation - - - - -	1,836,036.06	1,146,783.00

Premium merchandise advanced to customers, at cost less cost of profit-sharing credits - - - - -

	482,101.71	
Less, Allowance for losses - - - - -	153,713.11	328,388.60

Expense supplies, prepaid and deferred charges, etc. - - - - -		307,882.66
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Good will - - - - -		1.00
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	\$9,054,073.12	
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SUBSIDIARY

BALANCE SHEET

26, 1944

LIABILITIES

Current liabilities:

Bankers acceptances against coffee received under trust receipts -	-	\$ 195,413.55
Notes payable to banks -	- - - - -	400,000.00
Accounts payable and accrued liabilities -	- - - - -	1,239,116.36
Provision for federal income taxes -	- - - - -	345,260.32
Amounts payable upon surrender of unexchanged certificates for old preference stock, coupons representing distributions on dividend arrearage certificates and scrip for fractional shares of capital stock		16,199.93
Total current liabilities -	- - - - -	2,195,990.16

Employees' fidelity deposits -	- - - - -	114,890.85
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Reserves:

War and post-war contingencies -	- - - - -	\$ 100,000.00
Unredeemed premium tickets -	- - - - -	32,479.27
Self-insurance, fire -	- - - - -	13,247.21
		145,726.48
		2,456,607.49

No provision has been made or is believed to be required for renegotiation refunds to the United States Government.

CAPITAL

Capital stock, no par value, authorized 400,000 shares, issued 222,738-12/15 shares -	- - - - -	\$4,322,248.00
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Note: The 222,738-12/15 shares shown above include 1,277 shares of capital stock represented by unexchanged certificates for an equal number of shares of old preference stock and 330-11/15 shares of capital stock represented by unexchanged certificates for 4,961 shares of old common stock.

Capital surplus, February 27, 1943 and February 26, 1944 -	- - - - -	497,241.95
Earned surplus since December 8, 1939, as annexed -	- - - - -	1,779,881.46
		6,599,371.41
Less, Treasury stock, 184-2/15 shares at cost -	- - - - -	1,905.78
		6,597,465.63
		\$9,054,073.12

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Earned surplus since December 8, 1939:							
Balance, February 27, 1943	-	-	-	-	-	-	\$1,476,614.22
Balance transferred from statement of income	-	-	-				414,549.24
							1,891,163.46
Cash dividend paid	-	-	-	-	-	-	111,282.00
Balance, February 26, 1944	-	-	-	-	-		\$1,779,881.46

AUDITORS' REPORT

THE GRAND UNION COMPANY,
New York, N. Y.

We have examined the consolidated balance sheet of THE GRAND UNION COMPANY and its subsidiary as of February 26, 1944 and the consolidated statements of income and surplus for the fifty-two weeks then ended, have reviewed the systems of internal control and the accounting procedures of the companies and, without making detailed audits of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet and related statements of income and earned surplus present fairly the consolidated position of The Grand Union Company and its subsidiary at February 26, 1944 and the consolidated results of their operations for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the fifty-two weeks ended February 27, 1943.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, April 17, 1944.

